

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 CEA-02 AGR-20

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TAGS: ECON, AFSP, CI

SUBJ: MINISTER OF FINANCE GOTUZZO ON THE CHILEAN ECONOMY

REF: SANTIAGO 4862

1. IN NATIONWIDE TV ADDRESS OCTOBER 8, MINISTER OF FINANCE GOTUZZO DISCUSSED PRESENT ECONOMIC SITUATION AND CALLED ON CHILEANS TO SACRIFICE BECAUSE OF QUOTE WORST CRISIS IN OUR HISTORY CAUSED BY THREE YEARS OF IRRESPONSIBLE MARXIST ADMINISTRATION UNQUOTE. HE POINTED OUT FOLLOWING UNFAVORABLE FACTORS: DECLINING INDUSTRIAL, MINING AND AGRICULTURAL PRODUCTION; LARGE INCREASE IN 1973 MONETARY EMISSION (OVER 400 BILLION ESCUDOS) LEADING TO PROJECTED INFLATION THIS YEAR OF 320 PERCENT AND 1000 PERCENT IN 1974 IF INFLATIONARY TENDENCIES HAD PERSISTED; TOTAL 1973 PUBLIC SECTOR DEFICIT OF APPROXIMATELY 320 BILLION ESCUDOS, WHICH INCLUDED LARGE DEFICITS IN STATE ENTERPRISES; INDEBTEDNESS OF \$1 MILLION DAILY DURING THE ALLENDE GOVERNMENT; AND PRESENT NET FOREIGN DEBT OF 3.5 BILLION DOLLARS.

2. GOTUZZO DISCLOSED ASPECTS OF GOVERNMENT'S WAGE POLICY.

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HE SAID CHILEANS WILL RECEIVE FIVE MONTHLY SALARIES

(PRESUMABLY AT APRIL 1973 LEVEL FOR REMAINING THREE MONTHS OF THIS YEAR. IN ADDITION THERE WILL BE ONE COMPENSATORY BONUS AMOUNTING TO 60 PERCENT OF SALARIES UP TO FIVE SUELDOS VITALES, AND A DECLINING PERCENTAGE ABOVE FIVE SUELDOS VITALES. UNEMPLOYED PERSONS WILL RECEIVE COMPENSATION FOR SIX MONTHS, WHILE EACH WORKER WILL OBTAIN 720 ESCUDOS FOR TRANSPORTATION EXPENSES. MINIMUM DAILY PAYMENTS WILL BE 900 ESCUDOS.

3. MINISTER SAID NEW GOVERNMENT WILL GENERALLY FOLLOW POLICY OF REALISTIC PRICES, BUT THERE WILL BE SUBSIDIES FOR SUCH ITEMS AS TEA, BREAD, NOODLES, SUGAR, AND COOKING OIL IN ORDER TO PROTECT LOWER INCOME GROUPS FROM HIGH PRICES.

4. COMMENT: GOTUZZO'S TV SPEECH, COMPLETE WITH GRAPHS AND CHARTS, WAS WELL ORGANIZED AND PRESENTED. WAGE BILL DURING FINAL THREE MONTHS OF THIS YEAR WILL BE CONSIDERABLY LESS THAN IF FULL SALARY INCREASE HAD BEEN ALLOWED OCTOBER 1. THE SQUEEZE ON WAGES IS AN IMPORTANT PART OF GOVERNMENT'S ECONOMIC STABILIZATION PROGRAM.
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